Resource Central

Financial Statements

As of and For the Years Ended
December 31, 2018 and 2017

ACM

Resource Central

Contents

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Independent Auditor's Report

Board of Directors
Resource Central
Boulder, Colorado

We have audited the accompanying financial statements of Resource Central (formerly, Center for Resource Conservation) (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Resource Central as of December 31, 2018 and 2017, and the changes in its net assets, functional expenses, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

ACM LLP

Greeley, Colorado
May 24, 2019

Resource Central

Statements of Financial Position

December 31,		**2018**		2017
Assets:				
Cash and cash equivalents	**$**	**583,648**	$	596,309
Grants and contributions receivable		**29,166**		18,141
Prepaid expenses and deposits		**14,067**		30,113
Inventory		**53,950**		53,540
Property and equipment, net		**167,135**		173,979
Total assets	**$**	**847,966**	$	872,082
Liabilities and net assets				
Liabilities:				
Accounts payable	**$**	**46,980**	$	45,592
Accrued payroll		**101,365**		72,952
Deferred revenue		**350**		129,059
Note payable		**13,111**		18,987
Total liabilities		**161,806**		266,590
Commitments and contingencies				
Net assets:				
Without donor restrictions		**616,758**		455,715
With donor restrictions		**69,402**		149,777
Total net assets		**686,160**		605,492
Total liabilities and net assets	**$**	**847,966**	$	872,082

See accompanying notes to the financial statements.

Resource Central

Statements of Activities

Year Ended December 31,	2018			2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Materials Reuse sales revenue	**$ 911,367**	**$ -**	**$ 911,367**	$ 917,015	$ -	$ 917,015
Building materials for resale	**855,373**	**-**	**855,373**	840,632	-	840,632
Less: cost of goods sold	**(889,891)**	**-**	**(889,891)**	(840,632)	-	(840,632)
Net profit from Resource sales	**876,849**	**-**	**876,849**	917,015	-	917,015
Garden In a Box sales revenue	**874,027**	**-**	**874,027**	779,455	-	779,455
Less: cost of goods sold	**(345,519)**	**-**	**(345,519)**	(291,774)	-	(291,774)
Net profit from Garden In a Box sales	**528,508**	**-**	**528,508**	487,681	-	487,681
Program service fees	**558,640**	**-**	**558,640**	499,385	-	499,385
Grants and contributions	**353,379**	**216,950**	**570,329**	267,639	172,382	440,021
Interest income	**1,417**	**-**	**1,417**	804	-	804
In-kind contributions	**197,461**	**-**	**197,461**	211,680	-	211,680
Gain on gift card recognition	**49,239**	**-**	**49,239**	-	-	-
Other Income	**72**	**-**	**72**	-	-	-
Net assets released from restrictions	**297,325**	**(297,325)**	**-**	192,380	(192,380)	-
Total other revenue and support	**1,457,533**	**(80,375)**	**1,377,158**	1,171,888	(19,998)	1,151,890
Total support and revenue	**2,862,890**	**(80,375)**	**2,782,515**	2,576,584	(19,998)	2,556,586
Expenses:						
Program services	**2,282,862**	**-**	**2,282,862**	2,180,968	-	2,180,968
General and administrative	**291,156**	**-**	**291,156**	250,198	-	250,198
Fundraising	**127,829**	**-**	**127,829**	104,294	-	104,294
Total expenses	**2,701,847**	**-**	**2,701,847**	2,535,460	-	2,535,460
Change in net assets	**161,043**	**(80,375)**	**80,668**	41,124	(19,998)	21,126
Net assets, beginning of year	**455,715**	**149,777**	**605,492**	414,591	169,775	584,366
Net assets, end of year	**$ 616,758**	**$ 69,402**	**$ 686,160**	$ 455,715	$ 149,777	$ 605,492

See accompanying notes to the financial statements.

Resource Central

Statements of Functional Expenses

Year Ended December 31,	2018			
	Program Services	General and Administrative	Fundraising	Total
Wages	$ 1,100,856	$ 178,965	$ 61,456	$ 1,341,277
Employee benefits	139,326	35,249	5,704	180,279
Payroll tax expenses	96,102	11,699	6,637	114,438
Employee expenses	1,336,284	225,913	73,797	1,635,994
Cost of goods sold	1,235,410	-	-	1,235,410
Occupancy	237,382	18,669	9,258	265,309
Professional fees	107,440	24,011	5,820	137,271
Program materials and prizes	238,495	-	-	238,495
Depreciation	71,481	8,455	1,267	81,203
Supplies	40,237	550	8,949	49,736
Site maintenance	39,192	2,015	967	42,174
Business development	30,532	78	21,301	51,911
Travel	22,545	154	294	22,993
Staff development	4,559	4,212	41	8,812
Insurance	29,475	2,577	1,278	33,330
Utilities	65,213	2,703	1,332	69,248
Merchant credit card fees	34,966	-	1,517	36,483
Interest	718	-	-	718
Postage and printing	8,753	21	1,588	10,362
Licenses and fees	845	68	78	991
Dues and subscriptions	7,695	430	308	8,433
Other	7,050	1,300	34	8,384
	3,518,272	291,156	127,829	3,937,257
Less: cost of goods sold	(1,235,410)	-	-	(1,235,410)
Total expenses	$ 2,282,862	$ 291,156	$ 127,829	$ 2,701,847

See accompanying notes to the financial statements.

Resource Central

Statements of Functional Expenses

Year Ended December 31,	2017			
	Program Services	General and Administrative	Fundraising	Total
Wages	$ 1,049,217	$ 116,492	$ 36,247	$ 1,201,956
Employee benefits	149,161	36,564	3,960	189,685
Payroll tax expenses	106,360	10,797	2,523	119,680
Employee expenses	1,304,738	163,853	42,730	1,511,321
Cost of goods sold	1,132,406	-	-	1,132,406
Occupancy	220,404	17,619	4,744	242,767
Professional fees	65,410	41,300	17,434	124,144
Program materials and prizes	290,537	-	-	290,537
Depreciation	72,933	5,307	5,460	83,700
Supplies	23,535	295	9,264	33,094
Site maintenance	40,588	605	512	41,705
Business development	32,141	144	14,084	46,369
Travel	19,278	366	36	19,680
Staff development	9,501	10,367	1,072	20,940
Insurance	22,643	793	660	24,096
Utilities	22,020	2,726	6,401	31,147
Merchant credit card fees	32,108	91	400	32,599
Interest	-	836	-	836
Postage and printing	10,968	255	1,056	12,279
Licenses and fees	1,083	299	145	1,527
Dues and subscriptions	2,451	111	296	2,858
Other	10,630	5,231	-	15,861
	3,313,374	250,198	104,294	3,667,866
Less: cost of goods sold	(1,132,406)	-	-	(1,132,406)
Total expenses	$ 2,180,968	$ 250,198	$ 104,294	$ 2,535,460

See accompanying notes to the financial statements.

Resource Central

Statements of Cash Flows

Year Ended December 31,	**2018**	2017
Cash flows from operating activities:		
Change in net assets	**$ 80,668**	$ 21,126
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	**81,203**	83,700
Decrease (increase) in operating assets:		
Grants and contributions receivable	**(11,025)**	47,769
Prepaid expenses and deposits	**16,046**	(15,920)
Inventory	**(410)**	8,563
Increase (decrease) in operating liabilities:		
Accounts payable	**1,388**	27,080
Accrued payroll	**28,413**	(26,101)
Deferred revenue	**(128,709)**	30,155
Net cash from operating activities	**67,574**	176,372
Cash flows from investing activities:		
Purchase of property and equipment	**(74,359)**	(109,900)
Net cash used in investing activities	**(74,359)**	(109,900)
Cash flows from financing activities:		
Payments on note payable	**(5,876)**	(5,211)
Net cash used in financing activities	**(5,876)**	(5,211)
Net change in cash and cash equivalents	**(12,661)**	61,261
Cash and cash equivalents, beginning of year	**596,309**	535,048
Cash and cash equivalents, end of year	**$ 583,648**	$ 596,309
Supplemental cash flow information		
Cash paid during the year for interest	**$ 718**	$ 836

See accompanying notes to the financial statements.

1. NATURE OF ACTIVIES

Resource Central (formerly, Center for Resource Conservation) (the "Organization") is a community based non-profit incorporated in 1976 with a mission to put conservation into action. Its vision is thriving communities living sustainably. Currently, the Organization serves homeowners, schools, small businesses and municipalities throughout Colorado Front Range Communities.

Through sustainability programs that impact water and energy consumption and its retail operation that diverts materials from the landfill, the Organization is evolving as a social enterprise, identifying market-driven opportunities to expand and improve its reach and impact, and engage more directly with residents.

The Organization operates as a nonprofit social enterprise, identifying market-driven opportunities to promote environmental sustainability. The Organization is primarily funded by sales of used building materials, drought-tolerant gardens, known as the Garden in a Box program, and conservation program service fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments and securities with original maturities of three months or less at the time of purchase to be cash equivalents. At times, the Organization's bank account balances may exceed federally insured limits. As of December 31, 2018, there were funds of $79,386 held in excess of the insured limits. Management monitors the reputation of the financial institutions with which it associates and believes the Organization's risk is negligible. The Organization has not experienced any losses in such accounts.

Grants and Contributions Receivable

Based on the judgment of the Organization and past collection histories, no allowance for doubtful accounts was deemed necessary as of December 31, 2018 and 2017. The Organization does not require collateral on grants or contributions receivable. As of December 31, 2018 and 2017, there were three and four donors, respectively, which individually accounted for more than 10% of the grants and contributions receivable. As of December 31, 2018, three donors totaled 85% of grants receivable. All receivables are expected to be collected within 12 months.

Conditional promises to give are not included in support until the conditions are substantially met. In November 2017, Boulder County ballot initiatives 2M and 2N passed. This includes funding of $1,400,000 for capital improvements and build out of a Zero Waste Community Center in Boulder. These funds are conditional on the Organization raising funds of $1,400,000 for this project. No portions of the funds were recorded in the financial statements as of December 31, 2018 and 2017 as conditions had not been met.

Property and Equipment

Property and equipment acquired with an initial value of $1,000 or more are capitalized and stated at cost, less accumulated depreciation. Depreciation of furniture, equipment and leasehold improvements is computed using the straight-line method over the estimated useful lives of three to ten years, or lease term if shorter. Depreciation of tool library assets is computed using the straight-line method over the estimated useful lives of five years. The fair value of donated assets is similarly capitalized.

Expenditures for renewals and betterments in excess of $1,000 that materially extend the life of an asset or increase its productivity are capitalized. Expenditures for repairs and maintenance that do not extend asset lives or improve productivity are expensed as incurred. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized.

Inventory

Inventory consists of donated used building materials, stated at fair value at the time of donation, and purchased merchandise, stated at the net realizable value.

Accrued Payroll

Accrued payroll consists of time worked and not yet paid and accrued vacation time earned but not yet used by employees.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could be material.

Program Service Fee Revenue and Deferred Revenue

The Organization recognizes revenues from merchandise sales at the time of product delivery. Program service fees are recognized when the program occurs. Deferred revenue consists of outstanding gift cards and funds received for conditional contributions. Revenue from gift cards is recognized when the cards are redeemed. During 2017, the Organization seized issuance of gift cards. During the year ended December 31, 2018, gift cards of approximately $50,000 were deemed to be unclaimed property and revenue was realized. Revenue from conditional contributions is recognized when the conditions have been met.

Contributions

Contributions are recognized when cash, other assets, a decrease in liabilities or expense, or an unconditional promise to give is received. In accordance with ASC 958-605 *Not-for-Profit Entities, Revenue Recognition,* contributions received are recorded as contributions with donor restrictions or without donor restrictions depending on the existence or nature of donor restrictions.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services, Equipment and Materials

Donated services are reported as contributions when services create or enhance nonfinancial assets or would be purchased if they require specialized skills and are provided by individuals possessing those skills. Donated equipment and materials are recorded at estimated fair values as revenue and cost of goods sold, expense, or capitalized assets, depending on the nature of the donation.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services or the nature of the expense incurred. The expenses in this category include occupancy, professional fees, Renew Our School prizes, depreciation, supplies, site maintenance, business development, travel, staff development, insurance, utilities, merchant credit card fees, interest, postage and printing, licenses and fees, dues and subscriptions, and other.

Advertising Expense

Advertising costs are expensed when incurred and totaled approximately $21,000 and $2,000 for the years ended December 31, 2018 and 2017, respectively, and are included in business development costs on the statement of functional expenses.

New Accounting Pronouncements

In August of 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Topic 958*, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU is effective for annual financial statement for fiscal years beginning after December 15, 2017 and for interim periods with fiscal years beginning after December 15, 2018. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May of 2014, the FASB issued ASU 2014-09, *Topic 606, Revenue from Contracts with Customer*. ASU 2014-09 for nonpublic entities should be applied for entities with an annual reporting period beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted beginning after December 15, 2016. Management is currently evaluating the impact of adoption of this standard on its financial statements.

In June of 2018, the FASB issued ASU 2018-08, *Contributions Receivable and Made*. The purpose of this ASU is to clarify and improve the scope and accounting guidance for contributions received and made. The new guidance aids in the classification of contributions and exchange transactions.

The new guidance is effective for public business entities with fiscal years beginning after December 15, 2018. For all other organizations the new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods with fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of adoption of this standard on its financial statements.

In February of 2016, the FASB issued ASU 2016-02, *Topic 842, Leases*. The purpose of this ASU is to establish the principle to report transparent and economically neutral information about the assets and liabilities that arise from leases. The new guidance is effective for public business entities with fiscal years beginning after December 15, 2018. For all other organizations the new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods with fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of adoption of this standard on its financial statements.

Income Taxes and Tax Status

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and under the Colorado Income Tax Act of 1964 (as amended). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. Years before 2016 are no longer subject to tax authority examinations.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization’s financial assets at:

December 31,	**2018**	2017
Cash and cash equivalents	**$ 583,648**	$ 596,309
Contributions and grants receivable	**29,166**	18,141
Short term liabilities	**(148,345)**	(118,544)
Financial assets available to meet general expenditures over the next year	**$ 464,469**	$ 495,906

The Organization’s long-term goal is generally to build financial assets to meet 180 days of operating expenses, which is approximately $1.3 million. The Organization currently has approximately 60 days of reserves. The Organization also has a benchmark cash reserve of at least 125% of the following month's projected cash outflow. The Organization has minimal debt as defined in Notes 5 and 6, and a portion of the program expenses are incurred as part of reimbursable grants.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

December 31,	**2018**	2017
Furniture and equipment	**$ 400,760**	$ 390,343
Leasehold improvements	**21,842**	21,842
Tool library	**43,921**	43,921
Vehicle	**33,182**	33,182
Software	**208,846**	189,764
	708,551	679,052
Less: accumulated depreciation	**(541,416)**	(505,073)
Property and equipment, net	**$ 167,135**	$ 173,979

5. LINE OF CREDIT

The Organization has a $150,000 unsecured line of credit with a financial institution, which requires annual renewal. The line accrues interest at an annual rate of 3.22% per annum above the prime rate (8.72% at December 31, 2018) and requires the greater of $100 or accrued interest to be paid monthly. At December 31, 2018 and 2017, there was no outstanding balance on the line of credit. During the year ended December 31, 2018, no advances were made on the line of credit.

6. NOTE PAYABLE

On January 2, 2017, the Organization entered into a note to finance a vehicle. The note requires monthly principal payments of $550 beginning in February 2017 and expires in January 2023. The note accrues interest at an annual rate of 4.30% and is secured by the vehicle. The balance as of December 31, 2018 was $13,111.

Future principal maturities under this note are as follows:

Year Ended December 31,	
2019	$ 6,147
2020	6,417
2021	547
Total principal payments on note payable	$ 13,111

7. COMMITMENTS

Land and Building Lease

In 2010, the Organization entered into a lease agreement with the City of Boulder for a new site for its Material Reuse program. Under the lease, the Organization occupies land, buildings and certain improvements for $1 a year. The lease term ended and was extended to December 31, 2028. The estimated fair market value of this leased space for each of the years ended December 31, 2018 and 2017 was $175,000, this amount is recorded as in-kind contribution revenue on the statement of activities, as reflected in Note 9.

Administration Building Lease

The Organization has also entered into a lease agreement for its administrative location. The lease commenced June 1, 2013, and requires monthly payments ranging from $3,675 to $6,730, plus estimated costs for insurance and property taxes through expiration in March 2023. Rental expense under this lease agreement was $67,767 and $48,189 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under this lease are as follows:

Year Ending December 31,	
2019	$ 74,553
2020	76,407
2021	78,318
2022	80,270
2023	20,190
Total	$ 329,738

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

December 31,	**2018**	2017
Renew Our Schools	**$ 45,083**	$ 108,000
Materials Reuse	**13,500**	5,000
Water Conservation	**10,819**	32,240
Conservation for All	**-**	4,537
	$ 69,402	$ 149,777

Net assets with donor restrictions released from restriction consisted of the following:

Year Ended December 31,	**2018**	2017
Renew Our Schools	**$ 243,488**	$ 143,000
Materials Reuse	**1,500**	1,500
Water Conservation	**46,422**	27,760
Conservation for All	**5,915**	20,120
	$ 297,325	$ 192,380

9. IN-KIND CONTRIBUTIONS

Support from donated services, equipment and materials for the years ended December 31, 2018 and 2017, consisted of the following:

Year Ended December 31,	**2018**	2017
Used building materials for resale	**$ 855,373**	$ -
Rent - Resource Central Boulder	**175,000**	175,000
Legal services	**-**	15,565
Supplies and materials	**22,461**	21,115
Total	**$ 1,052,834**	$ 211,680

10. RETIREMENT PLAN

The Organization sponsors a 403(b) Plan covering all employees of the Organization. The Organization matches 50% of employee contributions up to 5%. The Organization's contributions for the years ended December 31, 2018 and 2017, were $15,336 and $5,708, respectively.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2019, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.